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SUBJECT: SOUTH AFRICA: SKILLS, THE ESSENTIAL INGREDIENT

REF: Pretoria 698

¶1. (U) Summary. In March, President Thabo Mbeki and Deputy President Phumzile Mlambo-Ngcuka announced the Joint Initiative on Priority Skills Acquisition (JIPSA) as an integral part of the Accelerated and Shared Growth Initiative for South Africa (ASGISA). JIPSA is an attempt to rectify the growing concern within the private and public sectors that the country is simply not producing the skills it needs to grow and alleviate nearly 40% (broadly defined) mostly black South African unemployment. Mlambo-Ngcuka is pursuing JIPSA as a stop gap measure, leaving "no stone unturned" in an effort to alleviate the skills shortage in the near term. A long-term approach, however, would have to focus on increasing the number of teachers and the quality of education, as well as incentives to shift students toward science and technology. USAID may have a role to play here. End Summary.

¶2. (U) In March, President Thabo Mbeki and Deputy President Mlambo-Ngcuka announced Joint Initiative on Priority Skills Acquisition (JIPSA), a multi-stakeholder working group through which the government, business, labor, academics and civil society will address the country's skills shortage, as part of the Accelerated and Shared Growth Initiative for South Africa (ASGISA) (reftel). JIPSA is a clear attempt to rectify the growing concern within the private and public sectors that the country is simply not producing the skills that the country needs to grow. Despite high unemployment, there is a dearth of South African workers with skills. Since the transition from apartheid, the country has lost engineers, scientists, doctors, nurses, university professors, teachers, and even welders to retirement and emigration during a time when these numbers should have grown. Moreover, red tape and poor implementation has stalled the effort to "train up" the majority black African population.

¶3. (U) The country's "lost generation," (those denied work opportunities during apartheid and subjected to poor quality Bantu education) has been asked to assume leadership in government, education, and the private sector, but are often ill equipped to do so. Throughout government and society, the lost generation is losing the opportunity of a lifetime. The economy is growing at between 4-5%, but needs people with skills to keep it going and to raise growth past the government's 6% target. The situation has become so dire that top policy

makers believe that economic growth and the medium term success of the nation may hang in the balance.

14. (U) The generally accepted conclusion within government circles is that without skilled workers, the South African economy will not grow fast enough to alleviate the nearly 40% unemployment (using the broad definition of unemployment that includes persons who have not actively sought employment in the past four weeks) that exists in the country. Most of these 40% are unskilled, blacks, but the majority of workers are also semi or unskilled and poorly educated. Discouraged by decades of apartheid and "Bantu education," the majority of black South Africans have not completed high school. Today, roughly 60% of the South African workforce does not possess a high school degree -- 80% of them are black. Ideally, the Government would want to match unemployed black workers with skilled job opportunities, but the educational and training system have not been producing the numbers.

15. (U) Mlambo-Ngcuka realizes that structural unemployment is a medium- to long-term problem, but believes that something must be done in the near term. For this reason, she designed JIPSA to be a stop gap measure, leaving "no stone unturned" in the effort to alleviate the skills shortage in the near term. Mlambo-Ngcuka has asked former public sector and parastatal employees to consider coming out of retirement to help with planning and construction of new power plants and local government management, among other critical tasks. Mlambo-Ngcuka also wants to lure former South Africans with needed skills back to South Africa through a "come back home" campaign. In addition, the Government will

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spend an extra R2 billion (approximately \$300 million) on vocational training in the near term.

16. (U) To provide much needed experience to young South African graduates, Mlambo-Ngcuka has asked foreign governments and the business community to pony up hundreds if not thousands of six to twelve-month internships in government and/or industry. Her own office will manage the database of unemployed graduates. Priority areas are foreign languages, engineering, architecture, project management, information technology, tourism, public administration and municipal management, and finance.

South Africa's Skills Profile

17. (U) A South African Reserve Bank study entitled, "An Overview of Skills and Formal Employment Dynamics in 2003" published in September 2005 issue of Labor Market Frontiers, confirmed what everybody already knew, i.e., the lopsided nature of the South African work force. Statistics reflect an abundance of low skilled labor alongside an acute shortage of highly skilled labor. In 2003, the percentage of workers with post graduate education in the manufacturing, engineering, and technology fields was only 2.5%. Only 1.2% had post graduate education in the physical, mathematical, computer, and life sciences. The majority of those with a post graduate education had a non-science background. Roughly 30% of those with graduate education studied education; 22% studied business.

18. (U) According to the South African Department of Labor (DOL), South African universities have been graduating too few students in science and technology and producing too few academics to train the next generation of South Africans. The proportion of professors aged 55 and above has been increasing while the proportion of academics aged 45-54 has not. Just as striking is that

the majority of graduate students are in the humanities, as opposed to engineering, science, and technology - skills that are in great demand. Only 33% of master's degrees and 39% of doctoral degrees issued in South Africa between 1995 and 2002 were in the natural sciences. Ominously, university graduates in engineering have actually declined since 1994. DOL went one step further to identify the following list of scarce skills and occupations: business and project managers, engineers, financial specialists, researchers, entrepreneurs, technicians, electricians, plumbers, and public safety employees. In short, South Africa is not producing the graduates that its labor market demands.

¶9. (U) It may not be surprising, then, to see that South Africa compares unfavorably with other countries in global rankings. In the latest World Economic Forum's Network Readiness Index, South Africa ranked in the lower third in the quality of math and science education (105th), engineers and scientists (90th), and education system (81st). Recent Department of Education (DOE) figures revealed that although 58% of schools had computers, only 28% used them for teaching - despite the fact that DOE's new curriculum assumes that all pupils have access to computers.

Has Migration Been a Factor?

¶10. (U) A recent paper by Stern and Szalontai, "Immigration Policy in South Africa," calculated South African migration (by using South African and recipient country data). Stern and Szalontai estimated that South Africa lost a net 6,900 skilled professionals per year between 1989 and 2002, with the loss worsening after ¶1994. On average, South Africa lost 2,300 skilled professionals per year from 1989 to 1993, rising to 9,300 a year since 1994. The largest net outflows were in engineering, medicine and the humanities (which includes lawyers and accountants). Still, these figures seem relatively tame, given the generally accepted belief that a million former South Africans now live in places like Great Britain, Australia, Canada, and the United States.

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¶11. (U) Before the transition from apartheid, South Africa attracted a larger number of skilled workers - mostly from Europe. After apartheid, South Africa began attracting most of its skilled immigrants from other African countries, but in lesser numbers. Moreover, emigration continues to be a problem. In 2004, StatsSA estimated that professional emigrants accounted for 27% of total emigrants, while professional immigrants accounted for only 4.7% of total immigrants. Stern and Szalontai report that 118,000 skilled professionals left South Africa between 1989 and 2003 - more than eight times the number of professional immigrants coming to South Africa.

Bureaucracy Hinders Immigration

¶12. (U) Foreign investors complain that the 2002 Immigration Act, amended in 2004, has not helped the situation. Immigration of skilled foreigners appears hamstrung by poor regulatory design and implementation. For example, the Act contains no definition or sector limits for what is termed "exceptional skilled foreigners," and this has hampered implementation. In addition, investors argue that red tape, program monitoring, and a bureaucratic desire not to import workers have greatly slowed the issue of work permits.

Comment

¶13. (U) One of the unfortunate legacies of apartheid is a majority black population without the skills it needs to lead and build a new South Africa. While workers lack skills to take advantage of opportunities in the new South Africa, recent graduates lack the experience to step into available mid-level positions. In the short term, attracting skills from abroad and creating relevant training opportunities for black South Africans may help to alleviate the country's acute skills shortage. However, a long-term approach will have to focus on increasing the number of teachers and the quality of education, as well as providing students the incentive to enroll in science and technology academic programs. USAID may have a role to play here.

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